

Message Text

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ACTION EUR-12

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TAGS: ECON, CA
SUBJ: PRESS REACTION TO QUEBEC ABROGATION OF AGREEMENT ON
ANTI-INFLATION PROGRAM

REF: QUEBEC 81

1. SUMMARY: LOCAL EDITORIAL REACTION HAS BEEN NEGATIVE
TO QUEBEC'S DECISION UNILATERALLY MODIFY ANTI-INFLATION
PROGRAM AND DROP FORMAL CONTROLS OVER PUBLIC EMPLOYEES
IN QUEBEC. GLOBE AND MAIL CALLED ACTION "SHOCKING";
JOURNAL SAID DECISION WAS "ADMISSION OF DEFEAT"; AND
COLUMNIST RECHARD GYWN CLAIMED "PREMIER RENE LEVESQUE
MADE HIS FIRST BIG BLUNDER." END SUMMARY.

2. GLOBE AND MAIL EDITORIAL OF JANUARY 18 POINTED OUT
THAT QUEBEC ACTION IN REMOVING "ANY CONTROLS OVER THE
PUBLIC AND CONSTRUCTION SECTORS IN THAT PROVINCE...
WILL ASTONISH NOBODY. THE METHOD IS SHOCKING."
ACCORDING NEWSPAPER, "REST OF CANADA WILL HAVE TO GET
USED TO THIS TYPE OF TREATMENT FROM QUEBEC."

3. EDITORIAL POINTS OUT THAT QUEBEC WILL HAVE NO
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ANTI-INFLATION CONTROLS FOR ITS PUBLIC AND CONSTRUCTION
SECTORS AND FEDERALLY ADMINISTERED CONTROLS FOR ITS
PRIVATE SECTOR. HOWEVER, STATES EDITORIAL, OPINION
GROWING IN CANADA THAT CONTROLS SHOULD NOT BE LIFTED
FROM PUBLIC SECTOR, AND IT QUOTES ONTARIO TREASURER
MCKEOUGH AS SAYING GREATEST AMOUNT OF INFLATIONARY
HEAT CREATED BY CIVIL SERVANTS AND OTHER GOVERNMENT

EMPLOYEES. EDITORIAL CONCLUDES THAT "CANADA IS MUCH CLOSER TO THE END OF THE ANTI-INFLATION PROGRAM THAN IT WAS A WEEK AGO," AND DANGER IN THIS SITUATION IS THAT "CANADA IS MUCH FURTHER FROM A CONSENSUS" ABOUT ENDING CONTROLS.

4. OTTAWA JOURNAL OF JANUARY 17 SAID QUEBEC FINANCE MINISTER PARIZEAU "MAY BE GAMBLING ON THE EARLY DEMISE OF THE FEDERAL ANTI-INFLATION PROGRAM IN MOVING TO GIVE UP THE EFFORT TO CONTROL PUBLIC SECTOR WAGES." POSSIBILITY EXISTS, HOWEVER, ACCORDING TO EDITORIAL, THAT QUEBEC MAY OPEN UP WAGE GAP WITH REST OF COUNTRY. "FINANCE MINISTER DONALD MACDONALD WAS RIGHT TO EXPRESS DISAPPOINTMENT WITH THE QUEBEC ACTION, BUT THE THREAT IT POSES TO THE FEDERAL ANTI-INFLATION PROGRAM SHOULD NOT BE CONSIDERED SERIOUS. OTHER PROVINCES DON'T HAVE THE SAME EXCUSE FOR BAILING OUT OF THE PROGRAM." "QUEBEC ACTION WAS AN ADMISSION OF DEFEAT."

5. IN HIS COLUMN OF JANUARY 18, RICHARD GWYN CLAIMED JANUARY 14 (DAY ON WHICH QUEBEC DECISION ON CONTROLS ANNOUNCED) WAS "DAY PREMIER RENE LEVESQUE MADE HIS FIRST BIG BLUNDER." QUEBEC ACTION DICTATED "NOT BY PLAN BUT BY PRESSURE," AND INSTEAD OF "GOOD GOVERNMENT HE PROMISED, LEVESQUE HAS GIVEN QUEBECERS JUST WHAT THEY THOUGHT THEY'D ESCAPED -- GOVERNMENT BY PRESSURE." QUEBEC ACTION, ACCORDING GWYN, MAY EFFECT LEVESQUE IN TWO OTHER WAYS: IF QUEBEC ECONOMY FALTERS, "HE CAN NO LONGER ... DUMP ALL THE BLAME UPON OTTAWA," AND UNCLASSIFIED

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CANADA WILL BE MORE POLARIZED. "MAYBE THIS POLARIZATION IS WHAT LEVESQUE IS SEEKING...ONE THING SHOULD BOTHER LEVESQUE THOUGH: IF A PROVINCE THAT IS STILL WITHIN CONFEDERATION DISRUPTS A NATIONAL ANTI-INFLATION PROGRAM WITHOUT CONSULTATION, MUST NOT CANADA, IF SEPARATION OCCURS, ASSUME THAT QUEBEC WOULD ACT THE SAME WAY IN THE 'ECONOMIC ASSOCIATION' THAT LEVESQUE SEEKS?"

6. COMMENT: AS GLOBE AND MAIL POINTED OUT, WAGE SETTLEMENTS IN PUBLIC SECTOR WERE CUTTING EDGE OF COST-PUSH INFLATION OF TWO YEARS AGO. EDITORIAL ALSO POINTS OUT, CORRECTLY ENOUGH, THAT MANY OTHER PROVINCIAL POLITICIANS AND ECONOMISTS SHARE VIEWS OF DARCY MCKEOUGH WHO WANTS TO CONTINUE SOME SORT OF LID ON THIS SECTOR. THUS, QUEBEC ACTION WILL NOT NECESSARILY SET PRECEDENT FOR OTHER PROVINCES AS THEY DISCUSS WITH FEDERAL GOVERNMENT NEXT MONTH EXTENSION OF OTHER PROVINCIAL AGREEMENTS AND EVENTUAL WAYS OF ENDING CONTROLS. ENDERS

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